

HOUSING AUTHORITY OF THE CITY OF SULPHUR**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT****DECEMBER 31, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/14/10

**HOUSING AUTHORITY OF THE CITY OF SULPHUR
SULPHUR, LOUISIANA**

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HOUSING AUTHORITY OF SULPHUR, LA

REQUIRED SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

DECEMBER 31, 2009

Housing Authority of The City of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2009

The management of Public Housing Authority of Sulphur, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending December 31, 2009. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$4,174,482 at the close of the fiscal year ended 2009.
 - ✓ Of this amount \$2,701,612 represents a restriction equal to the net amount invested in land, building, furnishings, leasehold improvements, equipment, and construction in progress.
 - ✓ Also of this amount, \$89,722 of net assets are restricted for the Housing Choice Voucher program
 - ✓ The remainder of \$1,383,148 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 55.62% of the total operating expenses of \$2,486,913 for the fiscal year 2009, which means the Authority might be able to operate about 6 to 7 months using the unrestricted assets alone, which compares less favorably with 18 months in the prior fiscal year.
- The Housing Authority's total net assets decreased by \$127,088, a 3% change from the prior fiscal year 2009. This decrease is attributable to significant increases in operating expenses and housing and assistance payments.
- The decrease in net assets of these funds was accompanied by an increase in unrestricted cash by \$125,565 from fiscal year 2009, primarily due to spending \$74,122 more for operations than Federal funds received for operations and spending \$192,093 less for capital assets than Federal capital grants received.
- The Authority spent \$143,227 on capital asset additions during the current fiscal year.
- These changes led to a decrease in total assets by \$226,575 and decrease in total liabilities by \$99,487. As related measure of financial health, there are still over \$9.14 of current assets covering each dollar of total current and long-term liabilities, which compares favorably with \$5.92 covering the prior fiscal year's liabilities.
- The Housing Authority continues to operate without the need for debt borrowing.

Housing Authority of The City of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2009

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2009?" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

All of the funds of the Housing Authority are reported as proprietary funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net assets and changes in them. One can think of the Housing Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

- Low Rent Public Housing
- Housing Choice Vouchers
- Mod Rehab
- Public Housing Capital Fund Program
- Shelter Plus

Housing Authority of The City of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2009

USING THIS ANNUAL REPORT (Continued)

This report includes summarized information of the component unit: Frenchman's Creek Limited Partnership. Separate audited financial statements of Frenchman's Creek Limited Partnership were issued for the year ended December 31, 2009 and are available from the Housing Authority's main office, 312 Brooke Street, Sulphur, LA 70663.

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

Reporting the Housing Authority's Most Significant Funds

The Housing Authority's financial statements provide detailed information about the most significant funds. Some funds are required to be established by the Department of Housing and Urban Development (HUD). However, the Housing Authority establishes other funds to help it control and manage money for particular purposes, or to show that it is meeting legal responsibilities for using grants and other money.

The Housing Authority's enterprise funds use the following accounting approach for Proprietary funds: All of the Housing Authority's services are reported in enterprise funds. The focus of proprietary funds is on income measurement, which, together with the maintenance of net assets, is an important financial indicator.

FINANCIAL ANALYSIS

The Housing Authority's net assets were \$4,174,482 as of December 31, 2009. Of this amount, \$2,701,612 was invested in capital assets, \$87,722 was restricted for the Housing Choice Voucher Program and the remaining \$1,383,148 was unrestricted.

Housing Authority of The City of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2009

CONDENSED FINANCIAL STATEMENTS

Condensed Balance Sheet
(Excluding Interfund Transfers and Frenchman's Creek Apartments)
As of December 31,

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets	\$1,608,072	\$1,631,612
Restricted assets	40,713	41,306
Capital assets, net of depreciation	<u>2,701,612</u>	<u>2,904,054</u>
Total assets	<u>4,350,397</u>	<u>4,576,972</u>
LIABILITIES		
Current liabilities	156,948	258,727
Non-current liabilities	<u>18,967</u>	<u>16,675</u>
Total liabilities	175,915	275,402
NET ASSETS		
Invested in capital assets, net of depreciation	2,701,612	2,904,054
Net assets restricted for the Housing Choice Voucher program	89,722	-
Unrestricted net assets	<u>1,383,148</u>	<u>1,397,516</u>
Total net assets	<u>4,174,482</u>	<u>4,301,570</u>
Total liabilities and net assets	<u>4,350,397</u>	<u>4,576,972</u>

Housing Authority of The City of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2009

CONDENSED FINANCIAL STATEMENTS (Continued)

The net assets of these funds decreased by \$84,193, or by 2%, from those of fiscal year 2008, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets
(Excluding Interfund Transfers and Frenchman's Creek Apartments)
Fiscal Year Ended December 31, 2009**

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Tenant rental revenue	\$ 333,898	\$ 319,977
Other tenant revenue	52,393	2,300
Total operating revenues	386,291	322,277
OPERATING EXPENSES		
Federal Housing Assistance Payments (HAP) to landlords	955,112	828,945
Maintenance and repairs	504,487	410,872
Administration	339,076	334,648
Depreciation	345,670	353,325
General and Insurance	195,707	156,900
Utilities	68,981	67,864
Extraordinary repairs	59,900	-
Protective services	17,980	16,560
Nonroutine Maintenance	-	48,492
Total operating expenses	2,486,913	2,217,606
(Losses) from operations	(2,100,622)	(1,895,329)
NON-OPERATING REVENUES		
Federal grants for operations	1,539,562	1,432,739
Other non-tenant revenue	91,506	124,763
Interest income	7,001	19,509
Total Non-Operating Revenues	1,638,069	1,577,011
Income (loss) after non-operating revenues	(462,553)	(318,318)
OTHER CHANGES IN NET ASSETS		
Federal grants for capital expenditures	335,320	378,367
NET INCREASE (DECREASE) IN NET ASSETS	(127,233)	60,049
NET ASSETS, beginning of fiscal year	<u>4,301,715</u>	<u>4,241,521</u>
NET ASSETS, end of fiscal year	<u>4,174,482</u>	<u>4,301,570</u>

Housing Authority of The City of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2009

EXPLANATIONS OF FINANCIAL ANALYSIS

Compared with the prior fiscal year, total operating and non-operating revenues increased \$125,061, or by 5%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal revenues from HUD for operations increased by \$125,072, or by 7% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was an increase in the number of eligible tenants receiving subsidies, so Housing Assistance Grants increased accordingly, lowering the overall total.
- Federal Capital Funds from HUD decreased by \$43,047 from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2007 through 2009, and submitted a new grant during fiscal year 2010.
- Total tenant revenue increased by \$64,014, or by 20% from that of the prior fiscal year, because occupancy rates increased by 5%, and because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal income increased, so rent revenue from these tenants increased accordingly, raising the overall total. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) increased by \$50,093.
- Total other non-operating revenue increased by \$61,058, or by 4% from that of the prior fiscal year, because the Authority received proceeds from casualty insurance claims in the prior year, which are recorded as other income by the Authority in the year received.
- Interest income decreased by \$12,508, or by 64% from that of the prior fiscal year, because the Authority spent available cash mostly on capital assets instead of temporary investments.

Compared with the prior fiscal year, total operating and non-operating expenses increased \$269,307, or by 12%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- Housing Assistance Payments to landlords increased by \$126,167 from that of the prior fiscal year.
- Maintenance and repairs increased by \$93,615, or by 23% from that of the prior fiscal year, due to several major factors: Repair staff wages increased by \$32,253, or by 27%, and related employee benefit contributions increased by \$2,226, or by 3%. Also, materials used increased by \$24,340, or by 32%, and contract labor costs increased by \$34,796, or by 24%. Finally, extraordinary maintenance increased by \$59,900 from that of the prior fiscal year.

Housing Authority of The City of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2009

- General Expenses increased by \$38,807, or by 25% from that of the prior fiscal year, primarily because other general expenses increased by \$26,511. Also, insurance premiums increased by \$5,029, or by 5%, since property and casualty insurance premiums increased, and payments in lieu of taxes (PILOT) increased by \$1,280, or by 5%. Finally, uncollectible rents from vacated units increased by \$6,101, or by 39%.
- Utilities Expense totaling \$68,981 did not change significantly from the prior year to the current year.
- Depreciation expense decreased by \$7,655 from that of the prior fiscal year, even though there was an increase in capital assets by \$144,312, because existing capital assets are reaching the end of their estimated useful lives.
- Administrative Expenses increased by \$4,428 from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries increased by \$9,578, or by 7%, and related employee benefit contributions increased by \$7,771, or by 12%; therefore, total staff salaries and benefit costs increased by 8%. On the other hand, audit fees decreased by \$2,640, or by 17%, accounting fees decreased by \$11,289, or by 29%; thus, total outside professional fees decreased by 26%. Finally, staff travel reimbursements increased by \$52,233, but staff training costs decreased by \$2,519, or by 27%, and sundry expenses decreased by \$36,718, or by 80%; therefore, other staff administrative expense increased by 19%.
- Protective services, totaling \$17,980, did not change significantly from the prior to the current year.

Housing Authority of The City of Sulphur, Louisiana

Management's Discussion and Analysis (MD&A)

DECEMBER 31, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2009, the Housing Authority had a total cost of \$10,132,482 invested in a broad range of assets and construction in progress from projects funded in 2007 through 2009, listed below. This amount, not including depreciation, represents increases of \$136,128 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets, Net of Accumulated Depreciation
As of December 31, 2009**

	<u>2009</u>	<u>2008</u>
Land	\$ 99,900	\$ 99,900
Construction in progress	120,850	123,129
Buildings	1,910,026	2,031,579
Leasehold improvements	558,172	633,574
Furniture and equipment	<u>12,664</u>	<u>15,871</u>
Total	<u>2,701,612</u>	<u>2,904,053</u>

As of the end of the 2009 fiscal year, the Authority is still in the process of completing HUD grants of \$1,247,586 obtained during 2007 through 2009 fiscal years. A total remainder of \$697,782 will be received and \$686,475 will be spent for completing these projects during fiscal year 2010.

Debt

Non-current liabilities also include accrued annual vacation and sick leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2010 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Lawrence Italio, at Sulphur Housing Authority of Sulphur, LA.

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Independent Auditors' Report

Board of Commissioners
Housing Authority of the City
of Sulphur
Sulphur, Louisiana

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Housing Authority of the City of Sulphur, as of and for the year ended December 31, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority of the City of Sulphur's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Housing Authority of the City of Sulphur, as of December 31, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2010, on our consideration of the Housing Authority of the City of Sulphur's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 5 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Sulphur's basic financial statements. The accompanying information identified in the table of contents as supplemental information including the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Housing Authority of the City of Sulphur. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McMullen and Mancuso, CPAs, LLC

McMullen and Mancuso, CPAs

June 30, 2010

Housing Authority of the City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Balance Sheet

December 31, 2009

	General	Section 8	(Memorandum Only) Totals Primary Government	Component Unit
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,206,663	\$ 312,182	\$ 1,518,845	\$ 2,775
Investments	30,000	-	30,000	-
Accounts receivable-tenants, net	4,505	-	4,505	-
Accounts receivable-HUD, net	11,307	-	11,307	-
Interfund receivable	9,500	-	9,500	-
Inventory	8,321	-	8,321	-
Prepaid items and other assets	23,661	1,933	25,594	-
Total current assets	1,293,957	314,115	1,608,072	2,775
Restricted assets				
Security deposits	40,713	-	40,713	2,100
Total restricted assets	40,713	-	40,713	2,100
Capital assets				
Land	99,900	-	99,900	542,316
Construction in progress	120,850	-	120,850	-
Buildings, improvements and equipment, net	2,480,862	-	2,480,862	6,463,381
Total capital assets, net	2,701,612	-	2,701,612	7,005,697
Other assets				
Loan fees and tax credit monitoring fees, net	-	-	-	39,832
Syndication costs	-	-	-	22,500
Total other assets	-	-	-	62,332
TOTAL ASSETS	\$ 4,036,282	\$ 314,115	\$ 4,350,397	\$ 7,072,904

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Balance Sheet (Continued)

December 31, 2009

	General	Section 8	(Memorandum Only) Totals Primary Government	Component Unit
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities				
Accounts payable	\$ 29,650	\$ -	29,650	\$ 9,049
Accounts payable - other government	5,787	-	5,787	-
Other payable	2,281	15,652	17,933	630,838
Accrued interest payable	-	-	-	7,604
Interfund payable	-	9,500	9,500	-
Deferred revenues	372	43,549	43,921	2,248
Current portion of long term debt - compensated absences payable	9,054	390	9,444	-
	47,144	69,091	116,235	649,739
Current liabilities payable from current restricted assets				
Deposits due others	40,713	-	40,713	2,100
Total current liabilities	87,857	69,091	156,948	651,839
Noncurrent liabilities				
Compensated absences payable	17,893	1,074	18,967	-
Development fee payable	-	-	-	275,000
Long term debt	-	-	-	3,362,603
Total noncurrent liabilities	17,893	1,074	18,967	3,637,603
Total liabilities	105,750	70,165	175,915	4,289,442
NET ASSETS				
Invested in capital assets, net of related debt	2,701,612	-	2,701,612	-
Restricted for Housing Choice Voucher Program	-	89,722	89,722	-
Unrestricted	1,228,920	154,228	1,383,148	-
Partners' Equity	-	-	-	2,783,462
Net assets	3,930,532	243,950	4,174,482	2,783,462
TOTAL LIABILITIES AND NET ASSETS	\$ 4,036,282	\$ 314,115	\$ 4,350,397	\$ 7,072,904

Housing Authority of the City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Revenues, Expenses, and Changes in Fund Net Assets

December 31, 2009

			(Memorandum Only) Totals Primary Government	Component Unit
	General	Section 8		
OPERATING REVENUES				
Dwelling rental	\$ 333,898	\$ -	\$ 333,898	\$ 844
Other	142,228	1,671	143,899	1,235
Federal grants	575,728	963,834	1,539,562	-
Total operating revenues	1,051,854	965,505	2,017,359	2,079
OPERATING EXPENSES				
Administration	263,302	75,104	338,406	34,794
Tenant services	670	-	670	-
Utilities	68,981	-	68,981	-
Ordinary maintenance and operation	504,487	-	504,487	284
Protective services	17,980	-	17,980	-
Insurance	93,577	6,587	100,164	25,597
General expenses	85,094	10,449	95,543	32,490
Interest	-	-	-	5,363
Extraordinary maintenance	59,900	-	59,900	-
Housing and assistance payments	-	955,112	955,112	-
Depreciation	345,670	-	345,670	202
Total operating expenses	1,439,661	1,047,252	2,486,913	98,730
Income (Loss) from operations	(387,807)	(81,747)	(469,554)	(96,651)
Nonoperating revenues (expenses)				
Interest earnings	6,301	700	7,001	-
Total nonoperating revenues	6,301	700	7,001	-
Income (loss) before capital contributions	(381,506)	(81,047)	(462,553)	(96,651)
Contributed capital	-	-	-	2,128,260
Capital grant contributions	335,320	-	335,320	-
Change in net assets	(46,186)	(81,047)	(127,233)	2,031,609
NET ASSETS AT BEGINNING OF YEAR, AS ORIGINALLY REPORTED	3,976,718	324,852	4,301,570	751,853
PRIOR PERIOD ADJUSTMENTS	-	145	145	-
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	3,976,718	324,997	4,301,715	751,853
NET ASSETS AT END OF YEAR	<u>\$ 3,930,532</u>	<u>\$ 243,950</u>	<u>\$ 4,174,482</u>	<u>\$ 2,783,462</u>

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows

December 31, 2009

	General	Section 8	(Memorandum Only) Totals Primary Government	Component Unit
CASH FLOWS FROM OPERATING ACTIVITIES				
Rental receipts	\$ 329,444	\$ -	\$ 329,444	\$ 3,092
Payments to vendors	(758,381)	(79,230)	(837,611)	(65,541)
Payments to employees	(311,126)	(17,917)	(329,043)	(18,575)
Other receipts (payments)	142,228	1,671	143,899	629,364
Federal grants	564,688	1,009,613	1,574,301	-
Payments to private landlords	-	(955,112)	(955,112)	-
Net cash provided by (used in) operating activities	(33,147)	(40,975)	(74,122)	548,340
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	(22,377)	-	(22,377)	(7,005,697)
Payments for construction in progress	(120,850)	-	(120,850)	-
Decrease in construction in progress	-	-	-	4,381,753
Contributed capital	-	-	-	2,128,260
Capital grant contributions	335,320	-	335,320	-
Decrease in tax credit monitoring fees	-	-	-	(32,700)
Decrease in syndication costs	-	-	-	(22,500)
Decrease in loan fees	-	-	-	(7,334)
Proceeds from construction loan	-	-	-	1,737,653
Payments on LISC bridge loan	-	-	-	(2,000,000)
Increase in development fee payable	-	-	-	275,000
Net cash provided by (used in) capital and related financing activities	192,093	-	192,093	(545,565)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	6,301	700	7,001	-
Net cash provided by (used in) investing activities	6,301	700	7,001	-
Net increase (decrease) in cash and cash equivalents	165,247	(40,275)	124,972	2,775
Cash and cash equivalents at beginning of year	1,082,129	352,457	1,434,586	-
Cash and cash equivalents at end of year	\$ 1,247,376	\$ 312,182	\$ 1,559,558	\$ 2,775

The notes to the financial statements are an integral part of this statement.

Housing Authority of the City of Sulphur
Sulphur, Louisiana

ENTERPRISE FUNDS
Statement of Cash Flows (Continued)

December 31, 2009

	General	Section 8	(Memorandum Only) Totals	Component Unit
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	\$ (387,807)	\$ (81,747)	\$ (469,554)	\$ (96,651)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	345,670	-	345,670	202
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable-HUD	(8,374)	7,421	(953)	-
(Increase) decrease in accounts receivable-tenants	(4,234)	-	(4,234)	-
(Increase) decrease in interfund receivables	(2,666)	122,564	119,898	-
(Increase) decrease in due from component unit	17,316	-	17,316	-
(Increase) decrease in inventory	(3,816)	-	(3,816)	-
(Increase) decrease in prepaid items	(1,121)	(712)	(1,833)	-
Increase (decrease) in accounts payable	8,563	-	8,563	9,049
Increase (decrease) in other payable	335	15,652	15,987	630,838
Increase (decrease) in accounts payable-HUD	-	(18,781)	(18,781)	-
Increase (decrease) in interfund payables	-	(119,760)	(119,760)	-
Increase (decrease) in deposit due others	(592)	-	(592)	-
Increase (decrease) in deferred revenue	372	34,692	35,064	2,248
Increase (decrease) in accrued interest payable	-	-	-	2,654
Increase (decrease) in compensated absences	3,207	(304)	2,903	-
Net cash provided by (used in) operating activities	<u>(33,147)</u>	<u>(40,975)</u>	<u>(74,122)</u>	<u>548,340</u>
Reconciliation of cash and cash equivalents at end of year to balance sheet presentation:				
Cash	1,206,663	312,182	1,518,845	2,775
Security deposits	40,713	-	40,713	-
Cash and cash equivalents at end of year	<u>\$ 1,247,376</u>	<u>\$ 312,182</u>	<u>\$ 1,559,558</u>	<u>\$ 2,775</u>

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2009

Note 1 - Summary of Significant Accounting Policies

The Housing Authority of the City of Sulphur (the Authority) was incorporated July 13, 1961 under the authority of the Constitution of statutes (LSA:R.S. 40:381) of the state of Louisiana for the purpose of providing safe and sanitary dwellings accommodations in Sulphur, Louisiana.

A. Financial Reporting Entity

GASB Statement 14, *The Financial Reporting Entity*, establishes criteria for determining the governmental reporting entity component units that should be included within the reporting entity. Under the provisions of this Statement, the Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The Authority is a related organization of the City of Sulphur since the Honorable Mayor of the City of Sulphur appoints the Authority's governing board. The Authority's governing board is composed of five members appointed for staggered multi-year terms. The City of Sulphur is not financially accountable for the Authority as it is not able to impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of Sulphur. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of Sulphur or any other governmental unit.

The accompanying financial statements of the Housing Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In determining how to define the reporting entity, management has considered all potential component units. Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Authority for financial reporting purposes. The criterion include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Based on the previous criteria, the Authority has determined that there is a component unit that should be considered as part of the Authority's reporting entity:

Frenchman's Creek Limited Partnership involves the new construction of 40 family Low Income Housing Tax Credit units located in Sulphur, Louisiana, and is a legally separate entity. The managing general partner of Frenchman's Creek Limited Partnership is the FCD GP, LLC, of which FCD Corporation, a Louisiana non-profit corporation, is the only member of the limited liability company. The Board of Directors of FCD Corporation consists entirely of the Board of Commissioners of the Housing Authority, which provides the Housing Authority with a voting majority of the governing body of Frenchman's Creek Limited Partnership. In addition, there is the potential for Frenchman's Creek Limited Partnership to impose financial burden on the Housing Authority.

The governing body of the Housing Authority is not considered to have complete control over Frenchman's Creek Limited Partnership. As a result, the Frenchman's Creek Limited Partnership is included in the Housing Authority's financial statements through discrete presentation. The financial position, changes in net assets, and cash flows of Frenchman's Creek Limited Partnership are presented as of and for the year ended December 31, 2009. Separate audited statements of Frenchman's Creek Limited Partnership were issued for the year ended December 31, 2009 and are available from the Housing Authority's main office, 312 Brook Street, Sulphur, LA 70663.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2009

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Programs within the general and section 8 funds operated by the Authority receive federal assistance from the U.S. Department of Housing and Urban Development (HUD), and are subject to applicable laws and regulations. The operations of each fund are accounted for through a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Federal contributions are received and accounted for in the individual programs based upon the purposes for which they are to be spent. The Authority is not subject to income taxes.

A brief description of the various programs is as follows:

- **Housing Authority Owned Rental Housing (FW-1132)** - Approximately 202 units of low-income public housing are owned by the Housing Authority of the City of Sulphur. Low Income is defined by published entry in the Federal Register per Standard Metropolitan Statistical Areas (SMSA). Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing.
- **Section 8 Public Owned Rental Housing** - Section 8 Public Housing is a program designed to allow private homeowners to lease their houses to low-income families. The rents are set by the Federal Government and published in the Federal Register and cannot be increased without HUD approval. Tenants pay the highest of 30% of their adjusted income or 10% of monthly income for such housing. The Housing Authority of the City of Sulphur makes up the difference between the tenants portion of the rent and the Fair Market Rent as subsidy to the homeowner. Section 8 has evolved into two programs:

Housing Choice Vouchers (FW-2228V) - 100 units

Moderate Rehab (FW-2074) - 75 units

- **Shelter Plus Care Housing** - This program provides for housing for homeless individuals and families with special disabilities. The basic Section 8 rules apply.

B. Funds

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Authority are classified as proprietary. The general fund accounts for transactions of the public housing low rent program and the capital fund program. The Section 8 fund accounts for transactions of the housing choice voucher program, the moderate rehab program, and the shelter plus care housing program.

C. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Authority has elected, pursuant to Governmental Accounting Standards Board (GASB) Statement 20, to apply all GASB pronouncements and only

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2009

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (continued)

FASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's funds are rent and maintenance charges to residents and administration fees earned.

Operating expenses for proprietary funds include the administrative costs of providing the service and the housing assistance payments to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Total columns on the basic financial statements are captioned as "Memorandum Only," because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

D. Budgets

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. Budgets are not, however legally adopted nor legally required for financial statement presentation.

E. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law and the Authority's investment policy allow the entity to invest in collateralized certificates of deposits, government back securities, commercial paper, the state sponsored investments pool, and mutual funds consisting solely of government back securities.

F. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for services rendered. Services provided, deemed to be at market or near market rates, are treated as revenues and expenses. Additionally, transactions occur between individual funds as a result of the use of a common paymaster for shared costs of the Authority. Cash settlements are made periodically. These receivables and payables are classified as interfund receivables/payables.

G. Inventory

All purchased inventory items are valued at cost using first-in, first-out method. Acquisition of materials and supplies are accounted for on the consumption method, that is, the expenses are charged when the items are consumed.

H. Prepaid Items

Payments made to vendors that will benefit periods beyond the fiscal year end are recorded as prepaid items. Prepaid items consist of prepaid insurance.

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2009

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

J. Restricted Assets

Certain assets are classified as restricted assets on the balance sheet because their use is restricted for security deposits held in trust.

K. Capital Assets

The Authority's purchased capital assets are recorded at historical cost and depreciated over their estimated useful lives. Donated capital assets are recorded at their estimated fair value at the date of donation. The Authority's policy is to capitalize significant items of equipment, major renovations, buildings, and real estate. The Authority capitalizes equipment and/or personal property with an initial cost of \$500 or more and an anticipated life or useful value of said equipment or property of more than one year.

The costs of normal maintenance and repairs that do not add value of the asset or materially extend asset lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Original buildings	33 years
Building improvements	15 years
Site improvements	15 years
Furniture and equipment	5 - 7 years
Automobile and trucks	5 years
Computers	3 years

L. Deferred Revenues

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

M. Compensated Absences

The Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Annual and sick leave is earned by each full-time and each part-time associate who has a regular tour of duty, except that no associate shall earn annual or sick leave while serving on restricted appointment or while using leave from an agency leave pool as defined in Rule 11.34.

The earning of such leave is based on the equivalent of years of full-time State service and shall be creditable at the end of each calendar month or at the end of each regular pay period based on graduated rates per hour. Accrued unused annual and sick leave earned by an associate shall be carried forward to succeeding calendar years. Upon separation from the Authority, an associate is paid the value of his accrued annual leave in a lump sum up to a maximum of 300 hours, disregarding any final fraction of an hour; provided the privileges of this rule shall not extend to any associate who is dismissed for theft of Authority funds or property. Upon separation from the Authority, an associate is not compensated for sick leave.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2009

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

N. Restricted Net Assets

Net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other financing sources and uses during the reporting period. Actual results could differ from those estimates.

Note 2 - Cash and Cash Equivalents

At December 31, 2009, the Authority has cash and cash equivalents (book balances) totaling \$1,559,558, all in interest - bearing demand deposit accounts. These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must equal the amount on deposit with the fiscal agent at all times. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2009, the Authority had \$1,579,313 in deposits (collected bank balances). These deposits are secured by \$750,000 of federal deposit insurance and \$829,313 pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds on demand.

Note 3 - Investments

The Authority's investments are limited to those allowed by state statute. At December 31, 2009, the Authority's investment consisted of a certificate of deposit with a carrying amount of \$30,000.

Note 4 - Accounts Receivable

The accounts receivables at December 31, 2009 are as follows:

	General	Section 8	(Memorandum Only Total)
Class of Receivable			
HUD	\$ 11,307	\$ -	\$ 11,307
Tenants	4,505	-	4,505
	<u>\$ 15,812</u>	<u>\$ -</u>	<u>\$ 15,812</u>

The tenants account receivable is net of an allowance for doubtful accounts of \$1,507.

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2009

Note 5 - Prepaid Items

Prepaid items as of December 31, 2009 consisted of prepaid insurance of \$25,594.

Note 6 - Capital Assets

Capital assets and depreciation activity as of and for the year ended December 31, 2009 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land	\$ 99,900	\$ -	\$ -	\$ 99,900
Construction in progress	123,131	160,322	(162,603)	120,850
Total capital assets, not being depreciated	223,031	160,322	(162,603)	220,750
Capital assets being depreciated				
Site Improvements	720,637	141,697	-	862,334
Buildings	8,812,394	-	-	8,812,394
Furniture and Equipment	240,292	3,812	(7,100)	237,004
Total capital assets being depreciated	9,773,323	145,509	(7,100)	9,911,732
Less accumulated depreciation	7,092,300	345,670	7,100	7,430,870
Total capital assets being depreciated, net	2,681,023	(200,161)	-	2,480,862
Total capital assets	<u>\$2,904,054</u>	<u>\$ (39,839)</u>	<u>\$(162,603)</u>	<u>\$2,701,612</u>

Component unit capital assets of \$7,005,697 consisted of buildings, improvements and equipment (\$6,463,381) and land (\$542,316).

Note 7 - Construction Commitments

The Authority has one (1) active construction project as of December 31, 2009, consisting of the window replacement project on various units in the low income public housing. At year end, the commitments with contractors are as follows:

Project	Spent to Date	Total Commitment
Window Replacement	<u>\$ 120,850</u>	<u>\$ 126,704</u>

Housing Authority of The City of Sulphur
Sulphur, Louisiana

Notes to the Financial Statements
December 31, 2009

Note 8 - Interfund Receivables/Payables

The following schedule reports receivables and payables within the reporting entity at December 31, 2009:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 9,500	\$ -
Section 8	-	9,500
	<u>\$ 9,500</u>	<u>\$ 9,500</u>

Note 9 - Accounts Payable

The accounts payable at December 31, 2009 are as follows:

Class of Payable	General	Section 8	(Memorandum Only Total)
Due to Other Governments:			
Payment in lieu of property tax	5,787	-	5,787
Operating	29,650	-	29,650
	<u>\$ 35,437</u>	<u>\$ -</u>	<u>\$ 35,437</u>

Note 10 - Compensated Absences Payable

As of December 31, 2009, employees of the Housing Authority have accumulated and vested \$28,411 of employee leave computed in accordance with GASB Codification Section C60.

Note 11 - General Long-Term Obligations

The following is a summary of the long-term obligation transactions for the year ended December 31, 2009, which consisted of compensated:

	General	Section 8	(Memorandum Only Total)
Balance, beginning	\$23,739	\$1,776	\$25,515
Additions	8,096	1,378	9,474
Deductions	(4,888)	(1,690)	(6,578)
Balance, ending	<u>\$26,947</u>	<u>\$1,464</u>	<u>\$28,411</u>
Amounts due in one year	<u>\$9,054</u>	<u>\$390</u>	<u>\$9,444</u>

**Housing Authority of The City of Sulphur
Sulphur, Louisiana**

**Notes to the Financial Statements
December 31, 2009**

Note 12 - Retirement Plan

The Authority participates in the Housing-Renewal and Local Agency Retirement Plan, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Authority provides pension benefits for all of its full-time employees. All regular full time employees are eligible to participate in the plan on the first day of the month after completing one month of continuous and uninterrupted employment. The Board of Commissioners of the Authority determines plan provisions and changes to plan contributions.

Under a defined contribution plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions.

Under the plan, the Authority contributes 8.5% of the employee's basic (excludes overtime) monthly salary to the plan with the provision that the employee is required to contribute a minimum 6.5%. The Authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Authority. Normal retirement date shall be the first day of the month following the employee's 65th birthday or after 10 years of participation in the plan.

The Authority's total payroll for the year ended December 31, 2009 was \$338,067. The Authority made the required contributions of \$22,154 for the year ended December 31, 2009.

Note 13 - Contingencies and Commitments

Grant Disallowances In the normal course of operations, the Authority receives grant funds from federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with reimbursement by the grantor agency for expenditures disallowed under terms of the grants. Management of the Authority believes that the amount of disallowances, if any, which may arise from future audits will not be material.

Construction Projects There are construction projects in progress at December 31, 2009 which includes modernizing rental units. HUD funds these projects. Funds are requested periodically as the cost is incurred.

Note 14 - Risk Management

The Authority is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance.

Note 15- Economic Dependence and Current Vulnerability Due to Certain Concentrations

Statement of Financial Accounting Standards (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$1,874,882 to the Authority, which represents approximately 80% of the Authority's total revenue for the year.

The Authority's operations are concentrated in the public housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. HUD subject to change by an act of congress or an administrative change mandates such administrative directives, rules, and regulations. Such changes may occur with little notice or inadequate funding to pay the related cost, including additional administrative burden, to comply with a change.

SUPPLEMENTARY INFORMATION

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2009

Line Item No.	Account Description	Housing Choice			Capital Fund	Component Unit	Lower Income Housing Assistance Program, Section 8	Total
		Project Totals	Vouchers	Shelter Plus Care	Stimulus Grant		Moderate Rehabilitation	
111	Cash - Unrestricted	\$ 1,206,663	\$ 312,182	\$ -	\$ -	\$ 2,775	\$ -	\$ 1,521,620
112	Cash - Restricted - Modernization and development	-	-	-	-	-	-	-
113	Cash - Other Restricted	-	-	-	-	-	-	-
114	Cash - Tenant Security Deposits	40,713	-	-	-	2,100	-	42,813
115	Cash - Restricted for payment of current liability	-	-	-	-	-	-	-
100	Total Cash	1,247,376	312,182	-	-	4,875	-	1,564,433
121	Accounts Receivable - PHA Projects	-	-	-	-	-	-	-
122	Accounts Receivable - HUD Other Projects	11,307	-	-	-	-	-	11,307
124	Accounts Receivable - Other Government	-	-	-	-	-	-	-
125	Accounts Receivable - Miscellaneous	-	-	-	-	-	-	-
126	Accounts Receivable - Tenants	6,012	-	-	-	-	-	6,012
126.1	Allowance for Doubtful Accounts - Tenants	(1,507)	-	-	-	-	-	(1,507)
126.2	Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-	-	-
128	Fraud Recovery	-	-	-	-	-	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-
129	Accrued Interest Receivable	-	-	-	-	-	-	-
120	Total Receivables, net of allowance for doubtful accounts	15,812	-	-	-	-	-	15,812
131	Investments - Unrestricted	30,000	-	-	-	-	-	30,000
132	Investments - Restricted	-	-	-	-	-	-	-
135	Investments - Restricted for payment of current liability	-	-	-	-	-	-	-
142	Prepaid Expenses and Other Assets	23,661	1,933	-	-	-	-	25,594
143	Inventories	8,321	-	-	-	-	-	8,321
143.1	Allowance for Obsolete Inventories	-	-	-	-	-	-	-
144	Interprogram- Due From	9,500	-	-	-	-	22,865	32,365
145	Assets Held for Sale	-	-	-	-	-	-	-
150	Total Current Assets	1,334,670	314,115	-	-	4,875	22,865	1,676,525
161	Land	99,900	-	-	-	542,316	-	642,216
162	Buildings	8,316,392	-	-	-	6,041,846	-	14,358,238
163	Furniture, Equipment & Machinery - Dwellings	35,392	-	-	-	178,606	-	213,998
164	Furniture, Equipment & Machinery - Administration	118,211	1,485	-	-	-	332	120,028
165	Leasehold Improvements	1,441,737	-	-	-	242,929	-	1,684,666
166	Accumulated Depreciation	(7,430,870)	(1,485)	-	-	-	(332)	(7,432,687)
167	Construction In Progress	120,850	-	-	-	-	-	120,850
168	Infrastructure	-	-	-	-	-	-	-
160	Total Capital Assets, Net of Accumulated Depreciation	2,701,612	-	-	-	7,005,697	-	9,707,309
171	Notes, Loans & Mortgages Receivable - Non-Current	-	-	-	-	-	-	-
172	Notes, Loans & Mortgages Receivable - Non-Current - Past Due	-	-	-	-	-	-	-
173	Grants Receivable - Non - Current	-	-	-	-	-	-	-
174	Other Assets	-	-	-	-	62,332	-	62,332
176	Investment in Joint Venture	-	-	-	-	-	-	-
180	Total Non-Current Assets	2,701,612	-	-	-	7,068,029	-	9,769,641
190	Total Assets	\$ 4,036,282	\$ 314,115	\$ -	\$ -	\$ 7,072,904	\$ 22,865	\$ 11,446,166

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2009

Line Item No.	Account Description	Project Totals	Housing Choice Vouchers	Shelter Plus Care	Capital Fund Stimulus Grant	Component Unit	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation		Total
311	Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts Payable <= 90 Days	29,650	-	-	-	9,049	-	-	38,699
313	Accounts Payable > 90 Days Past Due	-	-	-	-	-	\$ -	-	-
321	Accrued Wage/Payroll Taxes Payable	2,281	-	-	-	-	-	-	2,281
322	Accrued Compensated Absences - Current Portion	9,054	390	-	-	-	-	-	9,444
324	Accrued Contingency Liability	-	-	-	-	-	-	-	-
325	Accrued Interest Payable	-	-	-	-	7,604	-	-	7,604
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	-
332	Accounts Payable - PHA Projects	-	-	-	-	-	-	-	-
333	Accounts Payable - Other Government	5,787	-	-	-	-	-	-	5,787
341	Tenant Security Deposits	40,713	-	-	-	2,100	-	-	42,813
342	Deferred Revenue	372	43,034	-	-	2,248	515	-	46,169
343	Current Portion of Long-Term Debt - Capital Projects/Mortgage Revenue Bonds	-	-	-	-	-	-	-	-
344	Current Portion of Long-Term Debt - Operating Borrowings	-	-	-	-	-	-	-	-
345	Other Current Liabilities	-	15,652	-	-	630,838	-	-	646,490
346	Accrued Liabilities - Other	-	-	-	-	-	-	-	-
347	Interprogram Due To	-	32,365	-	-	-	-	-	32,365
348	Loan Liability - Current	-	-	-	-	-	-	-	-
310	Total Current Liabilities	87,857	91,441	-	-	651,839	515	-	831,652
351	Capital Projects/Mortgage Revenue Bonds	-	-	-	-	3,362,603	-	-	3,362,603
352	Long-Term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-	-
353	Non - Current Liabilities - Other	-	-	-	-	275,000	-	-	275,000
354	Accrued Compensated Absences - Non Current	17,893	1,074	-	-	-	-	-	18,967
355	Loan Liability - Noncurrent	-	-	-	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-	-	-	-
357	Accrued Pension and OPEB Liability	-	-	-	-	-	-	-	-
350	Total Noncurrent Liabilities	17,893	1,074	-	-	3,637,603	-	-	3,656,570
300	Total Liabilities	105,750	92,515	-	-	4,289,442	515	-	4,488,222
508.1	Invested in Capital Assets, Net of Related Debt	2,701,612	-	-	-	(202)	-	-	2,701,410
509.2	Fund Balance Reserved	-	-	-	-	-	-	-	-
511.1	Restricted Net Assets	-	89,722	-	-	-	-	-	89,722
511.2	Unreserved, Designated Fund Balance	-	-	-	-	-	-	-	-
512.1	Unrestricted Net Assets	1,228,920	131,878	-	-	2,783,664	22,350	-	4,166,812
512.2	Unreserved, Undesignated Fund Balance	-	-	-	-	-	-	-	-
513	Total Equity/Net Assets	3,930,532	221,600	-	-	2,783,462	22,350	-	6,937,944
600	Total Liabilities and Equity/Net Assets	\$ 4,036,282	\$ 314,115	\$ -	\$ -	\$ 7,072,904	\$ 22,865	\$ -	\$ 11,446,166

Housing Authority of The City of Bellingham
Bellingham, Washington

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2009

Line Item No.	Account Description	Housing Choice					Lower Income Housing Assistance Program, Section 8 Medicaid		Total
		Project Totals	Vouchers	Section 8 Plus Caps	Capital Fund Stimulus Grant	Compassion Link	Rehabilitation		
70300	Net Tenant Rental Revenue	\$ 333,808	\$ -	\$ -	\$ -	\$ 844	-	\$ -	\$334,652
70400	Tenant Services - Other	52,993	-	-	-	1,233	-	-	54,226
70500	Total Tenant Revenue	386,801	-	-	-	2,077	-	-	388,878
70600	HUD PHA Operating Grants	745,477	520,365	103,955	39,266	-	339,314	-	1,748,377
70610	Capital Grants	136,305	-	-	-	-	-	-	136,305
70700	Management Fee	-	-	-	-	-	-	-	-
70720	Asset Management Fee	-	-	-	-	-	-	-	-
70730	Desk-Keeping Fee	-	-	-	-	-	-	-	-
70740	Front Line Service Fee	-	-	-	-	-	-	-	-
70750	Other Fees	-	-	-	-	-	-	-	-
70760	Total Fee Revenue	-	-	-	-	-	-	-	-
70800	Other Government Grants	-	-	-	-	-	-	-	-
71100	Investment Income - Unrestricted	4,501	418	-	-	-	129	-	5,048
71200	Mortgage Interest Income	-	-	-	-	-	-	-	-
71300	Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-	-
71310	Cost of Sale of Assets	-	-	-	-	-	-	-	-
71400	Treasury Recovery	-	1,118	-	-	-	253	-	1,371
71500	Other Revenue	89,835	-	-	-	-	-	-	89,835
71600	Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-	-
71650	Investment Income - Restricted	153	-	-	-	-	-	-	153
72000	Total Revenue	1,354,209	522,654	103,955	39,266	2,077	340,196	-	2,361,779
91100	Administrative Salaries	125,600	8,913	8,248	-	17,000	8,919	-	160,680
91200	Advertising Fees	9,619	-	-	-	-	1,933	-	11,552
91300	Management Fee	-	1,833	-	-	-	-	-	1,833
91310	Desk-Keeping Fee	-	-	-	-	-	4,146	-	4,146
91400	Advertising and Marketing	257	39	-	-	2,001	39	-	2,336
91500	Employee Benefit Contributions - Administrative	64,344	9,195	-	-	3,993	-	-	77,532
91600	Office Expense	29,657	13,446	-	-	8,489	9,190	-	60,722
91700	Legal Expense	6,942	-	-	-	-	-	-	6,942
91800	Tenants	18,071	4,581	-	-	-	4,581	-	27,233
91810	Allocated Overhead	-	-	-	-	-	-	-	-
91900	Other	9,433	-	-	-	3,711	-	-	13,144
92000	Total Operating - Administrative	263,303	36,107	8,248	-	31,794	26,742	-	375,194
92000	Asset Management Fee	-	-	-	-	-	-	-	-
92100	Tenant Services - Salaries	-	-	-	-	-	-	-	-
92200	Relocation Costs	-	-	-	-	-	-	-	-
92300	Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-	-
92400	Tenant Services - Other	670	-	-	-	-	-	-	670
92500	Total Tenant Services	670	-	-	-	-	-	-	670
93100	Water	26,145	-	-	-	-	-	-	26,145
93200	Electricity	12,237	-	-	-	-	-	-	12,237
93300	Gas	-	-	-	-	-	-	-	-
93400	Fuel	-	-	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-	-	-
93600	Sewer	30,599	-	-	-	-	-	-	30,599
93700	Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-	-
93800	Other Utilities Expense	-	-	-	-	-	-	-	-
93900	Total Utilities	68,981	-	-	-	-	-	-	68,981
94100	Ordinary Maintenance and Operations - Labor	153,578	-	-	-	-	-	-	153,578
94200	Ordinary Maintenance and Operations - Materials and Other	100,556	-	-	-	284	-	-	100,840
94300	Ordinary Maintenance and Operations Contracts	142,099	-	-	39,266	-	-	-	181,365
94500	Employee Benefit Contributions - Ordinary Maintenance	67,988	-	-	-	-	-	-	67,988
94600	Total Maintenance	464,221	-	-	39,266	284	-	-	503,771
95100	Protective Services - Labor	17,980	-	-	-	-	-	-	17,980
95200	Protective Services - Other Contract Costs	-	-	-	-	-	-	-	-
95300	Protective Services - Other	-	-	-	-	-	-	-	-
95500	Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-	-
95600	Total Protective Services	17,980	-	-	-	-	-	-	17,980
96110	Property Insurance	55,316	-	-	-	-	-	-	55,316
96120	Liability Insurance	15,662	1,332	-	-	-	1,551	-	18,545
96130	Workmen's Compensation	18,198	1,140	-	-	36	1,140	-	20,514
96140	All Other Insurance	4,601	782	-	-	73,361	782	-	79,226
96160	Total Insurance Premium	93,777	3,254	-	-	73,397	3,253	-	170,681
96200	Other General Expense	17,316	-	-	-	32,490	9,195	-	58,901
96210	Compassion Allowance	19,320	627	-	-	-	627	-	20,574
96300	Payments in Lieu of Taxes	26,722	-	-	-	-	-	-	26,722
96400	Bad Debt - Tenant Rents	21,736	-	-	-	-	-	-	21,736
96500	Bad Debt - Mortgages	-	-	-	-	-	-	-	-
96600	Bad Debt - Other	-	-	-	-	-	-	-	-
96800	Revenues Expense	-	-	-	-	-	-	-	-
96900	Total Other General Expense	85,094	627	-	-	32,490	9,822	-	128,033
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	-	5,363	-	-	5,363
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-	-
96730	Amortization of Bond Issue Costs	-	-	-	-	-	-	-	-
96700	Total Interest Expense and Amortization Cost	-	-	-	-	5,363	-	-	5,363
96900	Total Operating Expenses	994,826	42,028	8,248	39,266	96,528	41,857	-	1,224,733
97000	Excess Operating Revenues over Operating Expenses	339,363	480,626	35,707	-	(94,449)	298,339	-	1,137,606
97100	Extraordinary Maintenance	59,900	-	-	-	-	-	-	59,900
97200	Casualty Losses - Non-Capitalized	-	-	-	-	-	-	-	-
97300	Housing Assistance Payments	-	465,619	95,707	-	-	362,786	-	955,112
97310	HAP Portability - In	-	-	-	-	-	-	-	-
97400	Depreciation Expense	345,670	-	-	-	202	-	-	345,872
97500	Flood Losses	-	-	-	-	-	-	-	-
97600	Capital Outlays - Governmental Funds	-	-	-	-	-	-	-	-
97700	Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-	-
97800	Dwelling Units Rent Expense	-	-	-	-	-	-	-	-
98000	Total Expenses	1,400,396	501,647	103,955	39,266	96,730	420,643	-	2,582,837
10010	Operating Transfers In	29,654	-	-	-	-	-	-	29,654
10020	Operating Transfers Out	(29,654)	-	-	-	-	-	-	(29,654)
10030	Operating Transfers from / to primary government	-	-	-	-	-	-	-	-
10040	Operating Transfers from / to component unit	-	-	-	-	-	-	-	-
10050	Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-	-	-
10060	Proceeds from Property Sales	-	-	-	-	-	-	-	-
10070	Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-	-	-
10080	Special Items, Net Gain/Loss	-	-	-	-	-	-	-	-
10090	Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-	-
10092	Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-	-
10093	Transfers between Programs and Projects - In	-	-	-	-	-	-	-	-
10094	Transfers between Programs and Projects - Out	-	-	-	-	-	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
10000	Excess-Deficiency of Operating Revenues over (Under) Expenses	\$ (46,187)	\$ 14,607	\$ -	\$ -	\$ (96,611)	\$ (95,417)	\$ -	\$ (223,607)

Housing Authority of The City of Sulphur
Sulphur, Louisiana

FINANCIAL DATA SCHEDULE
For the Year Ended December 31, 2009

Line Item No.	Account Description	Project Totals	Housing Choice		Capital Fund Stimulus Grant	Component Unit	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation		Total
			Vouchers	Shelter Plus Care					
11020	Required Annual Debt Principle Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
11030	Beginning Equity	3,976,718	207,193	-	-	751,853	117,652	-	5,053,416
11040	Prior Period Adjustments - Equity Transfers and Correction of	-	-	-	-	2,128,260	145	-	2,128,405
11050	Changes in Compensated Absence Balance	-	-	-	-	-	-	-	-
11060	Changes in Contingent Liability Balance	-	-	-	-	-	-	-	-
11070	Changes in Unrecognized Pension Transition Liability	-	-	-	-	-	-	-	-
11080	Changes in Special Term/Severance Benefits Liability	-	-	-	-	-	-	-	-
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-	-	-
11100	Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-	-
11170	Administrative Fee Equity	-	174,912	-	-	-	-	-	174,912
11180	Housing Assistance Payments Equity	-	89,722	-	-	-	-	-	89,722
11190	Unit Months Available	2,424	1,227	-	-	-	-	-	3,651
11210	Units Months Leased	2,317	-	-	-	-	-	-	2,317
11270	Excess Cash	1,143,603	-	-	-	-	-	-	1,143,603
11610	Land Purchases	-	-	-	-	-	-	-	-
11620	Building Purchases	132,315	-	-	-	-	-	-	132,315
11630	Furniture & Equipment - Dwelling Purchases	-	-	-	-	-	-	-	-
11640	Furniture & Equipment - Administrative Purchases	7,113	-	-	-	-	-	-	7,113
11650	Leasehold Improvements Purchases	3,500	-	-	-	-	-	-	3,500
11660	Infrastructure Purchases	-	-	-	-	-	-	-	-
13510	CFFP Debt Service Payments	-	-	-	-	-	-	-	-
13901	Replacement Housing Factor Funds	-	-	-	-	-	-	-	-

Housing Authority of the City of Sulphur
Sulphur, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2009

Federal Grantor/Pass-through Grantor/Program Name	1/1/09 - 12/31/09 Grants CFDA Number	Expenditures
Department of Housing and Urban Development:		
PHA Owned Housing	14.850	\$ 575,728
Public Housing Capital Fund	14.872	296,054
Public Housing Capital Fund Stimulus	14.885	39,266
Section 8 Moderate Rehabilitation	14.856	339,514
Section 8 Housing Choice Vouchers	14.871	563,399
Shelter Plus Care Renewal	14.238	103,955
		<u>\$ 1,917,916</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**Housing Authority of the City of Sulphur
Sulphur, Louisiana**

**Notes to the Schedule of Federal Financial Assistance
December 31, 2009**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of all federal awards programs of the Housing Authority of the City of Sulphur (the Authority). The Authority's reporting entity is defined in Note 1 of the notes to the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Authority's basic financial statements.

Note 3 - Relationship to Basic Financial Statements

Federal award revenues are reported in the Authority's basic financial statements as follows:

<u>Federal Sources</u>	<u>Amount</u>
General	\$ 575,728
Section 8	1,006,868
Capital Fund - General	296,054
Capital Fund - Stimulus	39,266
	<u>\$ 1,917,916</u>

Note 4 - Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with accounting principles generally accepted in the United States of America.

**Housing Authority of the City of Sulphur
Sulphur, Louisiana**

**Compensation Paid Board Members
December 31, 2009**

The members of the Board of Commissioners serve without compensation. The members of the Board of Commissioners are as follows:

Franklin Foote, Chairman

Shirley Hoffpauir, Vice-Chairman

Mel Scott

James Milton, Jr.

Diane Wentzel

McMullen and Mancuso
Certified Public Accountants, LLC

P.O. Box 202

Lisa F. McMullen, CPA

3600 Maplesood Drive

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Pamela C. Mancuso, CPA

Sulphur, Louisiana 70663

Fax (337) 625-5849

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Board of Commissioners
Housing Authority of the City of Sulphur
Sulphur, Louisiana

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Housing Authority of the City of Sulphur, as of and for the year ended December 31, 2009, which collectively comprise the Housing Authority of the City of Sulphur's basic financial statements and have issued our report thereon dated June 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Sulphur's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Sulphur's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Sulphur's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Authority of the City of Sulphur's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Authority of the City of Sulphur's financial statements that is more than inconsequential will not be prevented or detected by the Housing Authority of the City of Sulphur's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Authority of the City of Sulphur's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any certain deficiencies in internal control that we consider to be a material weaknesses, as defined above.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Sulphur's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

MCMULLEN AND MANCUSO, CPAs, LLC

McMullen and Mancuso, CPAs

June 30, 2010

McMullen and Mancuso

Certified Public Accountants, LLC

P.O. Box 202

Lisa F. McMullen, CPA

3600 Maplewood Drive

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Pamela C. Mancuso, CPA

Sulphur, Louisiana 70668

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Housing Authority of the City of Sulphur
Sulphur, Louisiana

Compliance

We have audited the compliance of the Housing Authority of the City of Sulphur with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Housing Authority of the City of Sulphur's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the City of Sulphur's management. Our responsibility is to express an opinion on the Housing Authority of the City of Sulphur's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of Sulphur's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Housing Authority of the City of Sulphur's compliance with those requirements.

In our opinion, the Housing Authority of the City of Sulphur complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Housing Authority of the City of Sulphur is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of the City of Sulphur's internal control over compliance with the requirements that

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could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Sulphur's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Housing Authority of the City of Sulphur's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, federal awarding agencies and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

MCMULLEN AND MANCUSO, CPAs, LLC

McMullen and Mancuso, CPA

June 30, 2010

Housing Authority of the City of Sulphur
Sulphur, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2009

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Housing Authority of the City of Sulphur.
2. There were no significant deficiencies in internal control required to be disclosed by *Government Auditing Standards* issued by the Comptroller General of the United States.
3. There were no instances of noncompliance considered material, as defined by the *Government Auditing Standards*, to the financial statement.
4. There were no significant deficiencies in internal control over major federal award programs required to be disclosed during the audit.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of the City of Sulphur expresses an unqualified opinion on all major federal programs.
6. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major program included:
 - PHA Owned Housing Program – CFDA 14.850
8. The threshold for distinguishing Types A and B programs was 300,000.
9. The Housing Authority of the City of Sulphur was determined to be a low risk auditee.

Housing Authority of the City of Sulphur
Sulphur, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2009

Findings and questioned costs for federal awards which are required to be reported under OMB Circular No. A-133 Section 3510(a):

There were no current year audit findings.

Housing Authority of the City of Sulphur
Sulphur, Louisiana
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2009

Findings related to financial statements which are required to be reported in accordance with Governmental Auditing Standards generally accepted in the United States of America:

There were no current year audit findings.

Housing Authority of the City of Sulphur
Sulphur, Louisiana
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2009

Finding – Financial Statement Audit

There were no prior year audit findings.